



COUNTY OF ORANGE INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

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Audit No. 2451

July 21, 2004

TO: Bryan G. Speegle, Director
Resources and Development Management Department

SUBJECT: Limited Review of Bristol Street Mini Storage, LLC
Project F01-311.1, 311.2

We have performed a limited review of certain records and documents for the period ended November 30, 2003, pertinent to the lease agreement (Agreement) between the Orange County Flood Control District (District) and Bristol Street Mini Storage, LLC (Bristol Street), dated August 3, 1994, as assigned. The Agreement is for operating a recreational vehicle storage facility and a container/mini storage facility.

The primary purpose of our review was to determine whether Bristol Street's records adequately supported gross receipts reported to the County. We also reviewed compliance with certain other provisions of the Agreement, such as allowed uses and payment procedures.

Based on our review, we find that Bristol Street has retained sufficient documentation to adequately support monthly gross receipts reported to the County. However, we identified one area of non-compliance with the Agreement presented below.

Financial Statements

As of our review period, Bristol Street had not submitted the required financial statements. Clause 12C of the Agreement requires Bristol Street to submit, within 90 days after the end of each accounting year, the following:

1. A balance sheet and income statement prepared by a Certified Public Accountant (CPA). The CPA must attest that the balance sheet and income statement submitted are an accurate representation of Bristol Street's records as reported to the United States of America for income tax purposes. Per RDMD, the intent of the word *attest* in the Agreement is to *confirm*.
2. A statement certified as to accuracy (audited) by a Certified Public Accountant wherein the total gross receipts for the accounting year are classified according to the categories of business established for percentage rent and listed in Clause 6 (Rent) and for any other business conducted on or from the Premises.

Bristol Street submitted the following documents:

- Calendar Years 1999 and 2000: A balance sheet and income statement were not submitted. Agreed-Upon Procedures were submitted instead of the required audited statement of gross receipts.
- Calendar Years 2001 and 2002: An audited balance sheet and income statement were submitted; however, the audit report did not contain the required confirmation that the financial statements were an accurate representation of Bristol Street's records as reported for income tax purposes. An audited statement of gross receipts was not submitted.

Per RDMD, Bristol Street will not be required to resubmit financial statements for 2001 and prior years. However, RDMD will require Bristol Street to resubmit financial statements for 2002 and submit future financial statements in compliance with the Agreement. After our fieldwork ended, Bristol Street submitted financial statements for 2002 and 2003 that comply with the Agreement. No specific recommendation is necessary at this time.

We appreciate the courtesy and cooperation extended to us by the personnel at Instant Storage, RDMD/Real Estate Services, and RDMD/Accounting. If you have any questions regarding our limited review of lease revenue, please call me, Eli Littner, Deputy Audit Director, at (714) 834-5899, or Autumn McKinney, Audit Manager, at (714) 834-6106.



Dr. Peter Hughes, CPA
Director of Internal Audit

Audit Team:

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